

ESCO MARINE INC.

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email to: <http://dmses.dot.gov/submit/>

DOCKET CLERK

U. S. Department of Transportation Dockets
Room PL-401
400 7th Street, S. W.
Washington, D. C. 20590-0001

Re: Docket No. MARAD 2004-17166

TO WHOM IT MAY CONCERN:

After reviewing the draft *Environmental Assessment for the Transfer of National Defense Reserve Fleet Vessels from the James River Reserve Fleet for disposal at the Able UK Facilities, Teesside, UK*, dated February 20th, 2004, Esco Marine Inc. (Esco) would like to make the following comments:

1. Environmental Assessment (EA) §1.2 (Page 5)

a) Marad had breakers available in the U. S. that could have taken delivery of the same vessels offered to Abel UK (Abel) for substantially less money and this work would have been done by companies with proven track records in this industry and Technical Compliance Plans (TCP) which have already met with Marad's approval.

Esco was more than ready to bid on these vessels but understood that the bid received under the PRDA solicitation was for a program that had new and innovative solutions to our existing shipbreaking technology.

The PRDA, as Esco believed at that time, was developed by the Government to encourage the development of new technology to be brought into operation under Government subsidies.

Esco, as well as other companies involved (including Able) have offered no "new or innovative" processes for dismantling vessels, and if Esco had known the PRDA was intended to be used as a means for bidding vessels at competitive prices, then without question Esco would have entered a bid.

Esco's track record on bidding prices-per-ton for these ships and other similar type vessels would have been well below other competitors and certainly would have been below the \$144.65 per ton. In fact, Esco has since put in a PRDA for the Able vessels below \$110 per lightweight ton.

b) Esco was in a position to move the ships on a faster time schedule than Abel could have effected.

c) Without question Esco, as well as other U. S. breakers, have an established track records in worker safety and environmental compliance, along with technical expertise which Able does not possess.

As far as we in the industry have been able to determine Able has never broken any ships nor do they have in place worker safety and environmental programs compatible with those in the U. S.

In addition, to the best of our knowledge Able's facility does not meet the criteria as they represented to Marad.

It is irresponsible and negligent on behalf of Marad to choose a contractor some 4,000 miles away from the vessels present location at the James River Reserve Fleet (JRRF) to a contractor with no established experience in shipbreaking and to a location where environmental and safety standards will be difficult to monitor and track.

d) Marad should have taken into consideration the risks involved in towing highly deteriorated and damaged vessels a great distance over the Atlantic Ocean. This should not have been an acceptable course of action when domestic yards were available to do the same work with less risk for moving the ships and doing so for considerable less monies.

In summary of the above, it is clear that Marad is in violation of § 35.02 - of the Fiscal Year (FY) 2001 National Defense Authorization Act which specifically required Marad to acquire ship disposal services on a best value basis consistent with the Federal Acquisition Regulation (FAR).

Instead of flying off to England, Marad should have used its time and energy to offer these vessels to the many yards in Brownsville, Texas where there are highly trained workers, approved environmental and safety programs already in place and where the net costs to Marad and the taxpayers would be appreciably lower than the Able project.

Therefore, directing the vessels to the U. S. breakers would have given the "best value" and involved considerably less risk to the Government.

It is also important to note that during 2002 & 2003 Esco sent many letters to Marad informing them that Esco needed vessels for breaking, that our yard had the capacity to take 5-7 ships per year (depending on the vessel type), and we were willing to expand our capacity -- which Esco is presently doing -- in fact to effectively double our capacity for Marad vessels. Esco also asked Marad to come and check out our yard but, over all objections, Marad seemingly put all its best efforts into the Able UK project.

On page 6 of the EA Marad once again lists numerous points as to why Able was "best value" and to counter that we would like to specifically point out the following:

1) Disposal costs (which can be demonstrated by Esco's prices under which they have been awarded other vessels) would be substantially less by have these vessels dismantled in the U. S.

This does not even take into consideration the down-stream benefits to the U. S. economy such as the jobs it creates as well as the raw materials generated which are badly needed in our U. S. economy such as scrap iron, non-ferrous and reusable machinery.

2) It is well known that the vessels in the JRRF are high risk vessels and no one can logically want to tow them over 4,000 miles for dismantling.

Esco's yard and its personnel have towed hundreds of ships from the JRRF to Brownsville (which is a coast-wise - not ocean tow) safely and without incident.

3) In assessing the facility/risk factors, Marad should have easily determined that there was a high risk of failure by towing to England because of exposure to the vessels to the rigors of a long ocean tow, the inexperience of Able with this type of shipbreaking and the fact that the ships would have been located some 4,000 away from the U. S. making environmental and safety monitoring difficult. The U. S. breakers and Marad have a well-established monitoring program as well as good tracking procedures for the waste-stream which results from dismantling these types of vessels.

4) Marad has substantiated results from the environmental/worker safety programs provided by U.S. breakers at their yards. Because of Able's lack of experience in ever cutting a ship or having in place established environmental/safety programs compatible with Marad requirements, and an approved TCP, the risk of failure or much greater than if the vessel were dismantled in the U. S.

On page 15 of the EA -- No Action Alternative -- the fact that Marad was keeping such high risk ships in the JRRF increased the environmental hazards due to possible storms, oil leakage and other problems resulting from deteriorating vessels. The longer the vessels stay in the Fleet, the more likely the probability of further deterioration and for a catastrophe to occur.

Although Marad had the alternative to contract for the dismantling of these vessels with Esco or other U. S. breakers at a cost substantially below the Able contract prices, thereby allowing Marad to meet the Congressional mandate, Marad still took a course of action that was contrary to any logic both as to risk assessment and costs.

Page 16 - Domestic Disposal § 2.3.1 - Marad's personnel and management have knowledge that Esco has the facilities, equipment, personnel and technical expertise to dismantle 5-7 ships per year at its Brownsville facility.

Marad also knows there are other facilities in Brownsville and the U. S. that can take additional ships and they also have the expertise and proven records to accomplish Marad's stated objectives.

Apparently Marad -- for whatever reasons -- expended its energies into soliciting Able at greater costs and risks to the U. S. taxpayers when it should have put its efforts into providing as many ships as possible to the U.S. breakers, and then all 13 of these vessels could have been easily cut with tangible savings and less risk as well as not literally "giving away" the 2 newbuilding tankers *Benjamin Sherwood* and *Henry Eckford* as a part of the Able project since value of these two vessels is considerably more than the value of the 13 vessel contract.

Esco wrote numerous letters to Marad (well before the Able bid) and all during the year 2003 asking for ships to cut, explaining that we were actually laying off workers, and that Esco had made a large capital investment expecting to handle a large tonnage of Marad ships for recycling and yet Esco had to wait almost 2 years after receiving the last Marad ship (General Patch) before obtaining another ship.

Esco has repeatedly explained to Marad that its facilities work best when it has numerous ships and has a backlog to constantly feed its operations. While one ship is being completed in the slip, 2-3 other ships can be remediated, oil can be removed and pre-cutting done to feed our operations.

Esco is still waiting to receive vessels from the JRRF and has also made a proposal to Marad under the PRDA process for taking the 13 Able vessels for breaking, including the 4 ships presently moored at Abel UK. Our price is substantially lower than Able's bid and other bids in the industry for the same vessels yet to date we have received no response from Marad.

Esco has not addressed many other issues found in the EA as they are well covered under the comments submitted by International Shipbreaking, the Sierra Club and Robert E. Rutkowski with which we fully concur.

Esco would like to reiterate that it is readily apparent there is something wrong when you have a viable industry here in the U. S. that could carry out this work for Marad with less risks, at lower costs and keep jobs here in the U. S., while Marad takes actions which are completely contrary to the dictates of Congress and the interests of the U. S. taxpayers.

In addition to the rest of our points set out in this correspondence, Esco would like to bring to the public's attention that Esco bid \$956,360.47 (approx. \$96.00 per ton) in a public Invitation for Bid to remediate and dismantle the vessel Santa Isabel and was in fact awarded the contract as lowest bidder, but Marad later rescinded this contract and the vessel went to Able for \$1,443,896.30 ***at an additional cost to the taxpayers of \$485,536.*** This was evidently due in part to the fact that Esco is a small business -- with small business limitations -- and was unable to place a 150% performance bond on the project. This bonding requirement, although stated in the Invitation for Bid, was clearly expressed to be subject to reduction based on experience and historical record, both of which are Esco's strong points. In fact, it should be noted that Esco had dismantled other Marad ships effectively and to Marad's satisfaction under much lower performance bond requirements (approx. 60% of contract value).

Nevertheless, Marad disregarded all of our sensible pleas for fairness, and proceeded to rescind our contract and award the vessel to Abel. It is ironic and definitely sad that Marad's bad judgment with respect to the disposal of that and other vessels has ended up costing the government and the tax-payers a ridiculously larger sum of money now that the vessel is mired in a quagmire of law suits and controversy.

Sincerely yours,
Richard Jaross
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